

STATE OF CALIFORNIA
DEPARTMENT OF VETERANS AFFAIRS
VETERANS HOME OF CALIFORNIA
REPORT ON REVIEW OF OPERATIONS

AUGUST 1972

JOINT LEGISLATIVE AUDIT COMMITTEE
VINCENT THOMAS, CHAIRMAN
ROOM 4126
STATE CAPITOL

Joint Legislative Audit Committee

GOVERNMENT CODE: SECTIONS 10500-10504

California Legislature

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August 31, 1972

Honorable Ray E. Johnson
Member of the Assembly, 4th District
Room 4111, State Capitol
Sacramento, California 95814

Dear Ray:

Transmitted herewith is the Report on Review of Operations of the Veterans Home of California that you requested. The report was prepared by the Office of the Auditor General.

A summary statement on each of the major subject areas covered is included in the forepart of the report together with a summary of recommendations.

With my warm best wishes,

Sincerely,

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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October 19, 1972

Honorable Ray E. Johnson
Member of the Assembly, 4th District
Room 4111, State Capitol
Sacramento, California 95814

Dear Ray:

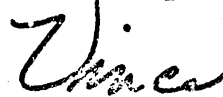
Transmitted herewith is a report on the Operations of the Veterans Home of California. The report covers the operation of the home during 1970 and 1971. Findings and recommendations have been modified to reflect changes made through August 1972.

Substantial improvement has been made since 1970-71 when considerable controversy existed among employees and management over the operation of the home.

The home has a capacity of 1475 veterans for domiciliary care but had only 501 occupants at June 30, 1972. Because of a declining demand by veterans for this type of care and the availability of medical services through other programs, the need for the home and its future role needs to be examined. About four million dollars will be needed for repairs and improvements to continue operating existing programs. Any change in the role of the home could involve extensive and costly renovations of facilities.

The report contains numerous recommendations for improvement in the operations of the home, in the quality of food service, and in the effectiveness of rehabilitation activities.

Sincerely,



VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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SUMMARY OF REPORT

I. INTRODUCTION

In 1970, a series of charges were made that the Veterans Home of California was not providing proper care and treatment to the members of the home. Because of these charges, we were asked to review the management and personnel practices at the home. During this review, other aspects of the home's operations were drawn to our attention, and our work was extended to review all of the operations of the home. Because of the time demands of other work, we did not finalize and issue a report at that time.

In July of 1972, we were asked to update our work and report our findings and recommendations.

Considerable change has taken place at the home since our earlier work. A new manager (now titled administrator) of the home has been employed. Organizational changes have been made and further reorganization is contemplated.

Discussion with management indicates substantial agreement with the points contained in the report.

II. FUTURE ROLE OF HOME

Faced with a declining population, the future role of the home must be decided in the near future. Several roles have been suggested. They would require changes in proprietorship or admission requirements.

Future uses are complicated by the restriction contained in the grant of the land to the state. A determination must be made, first, as to the right of the state to depart from the specific designation of use for the housing and care of veterans.

An estimated \$4 million is required for repairs and improvements to maintain the existing program for a 10-year period. Any major change in use would require costly renovation and modification of facilities.

The department has not developed the full range of alternative uses. An extensive study of potential uses should be made with cost estimates included. Further, any large scale maintenance and improvement projects should be deferred pending a firm decision on future use.

III. ADMINISTRATION

We noted some overlapping of management responsibilities. Policy formulation has not been centralized, and procedure manuals have not been prepared. Consequently, there are inconsistencies in the development of procedures, rules, and regulations. A comprehensive policy manual together with procedure manuals should be developed and regularly revised to reflect changes.

Orientation programs for new employees entering employment with the home or for new members establishing residence at the home have not been developed.

Personnel performance reports are a regular requirement for evaluation of personnel effectiveness. A number of employees have not had a performance report prepared as required, some for periods up to four years.

Deficiencies were noted in health and safety standards. A committee should be established to report regularly to the manager on health and safety conditions and standards.

IV. PROGRAM BUDGET

The care of sick and disabled veterans is one of the programs of the Department of Veterans Affairs. This program is carried out by the Veterans Home of California. The program includes three elements: (1) hospital care and services, (2) domiciliary care and services, and (3) rehabilitation care and services.

In 1971-72, \$8,203,000 was budgeted for the three elements.

We believe that the element of hospital care and services should be separated into (1) hospital care and services and (2) extended nursing care and services for the following reasons:

- The type of care is significantly different.
- Cost of care is significantly different.
- Statistically, the home differentiates between the two types.
- Ratio of doctors to patients and nursing service personnel to patients is markedly different.
- Federal reimbursement and fees charged by the home for each type of care is different.

Improvements are needed in accounting for costs of the separate elements as well as in the development of information and quantitative data for analysis and measurement of performance in achieving the home's objectives.

V. CARE AND TREATMENT OF MEMBERS

The series of charges that the home was not providing proper care and treatment to the members is listed in Chapter V of the report. The controversy raised by these charges has now quieted.

With one exception, supervision of the members resident in the domiciliary units is by other members of the home selected by the business manager and the registrar. Experience has shown that it could be advantageous to staff these units with professional personnel.

Information developed indicated that disciplinary procedures and penalties imposed were not consistently applied from time to time.

Deficiencies were noted in the food service operation. We found that the record of meals served was inaccurate and not a reliable record.

We believe that legislation should be proposed to make the home subject to the provisions of the California Food Sanitation Act and the California Restaurant Act.

VI. REHABILITATION

A stated objective of the home is to increase self-sufficiency and interest in life for the member through rehabilitation care and services.

The effectiveness of rehabilitation activities is hampered by the organization structure at the home. There is no centralized control. Further, we noted that some physicians do not ascribe to the merits of rehabilitation activities, and some of the staff oppose it because of the extra work it entails.

Planned activities or work assignments need review to develop the fullest member participation. Special services to the members in the form of recreation and entertainment require planning and development of new activities. Efforts to develop volunteer services have not been successful in the past, but there are now indications of improvement.

We conclude that the rehabilitation program needs to be reorganized and placed under the full-time direction of a physician in order to provide coordination and the attention to all the rehabilitation activities that is required.

VII. POST FUND

A Post Fund is maintained at the home. Its sources of income are varied, and the income is substantial in amount. During the last 10-year period, net income to the fund averaged \$247,000. The resources of the fund are provided by the members or from member-supported enterprises.

As set forth in Section 1047 of the Military and Veterans Code, the purpose of the fund is "...to provide for the general welfare of the home and its members...or any other activity for the benefit of the home or its members."

Administration of the fund rests with the manager. Use of the resources rests also with the manager, subject to the approval of the Director of Veterans Affairs.

A question was raised in our minds regarding some of the uses of fund resources, i.e., for some expenditures that seemed to benefit the home more than the members. An opinion of the Legislative Counsel stated that broad discretion rests with the manager for the use of these monies.

An additional question arose as to whether additional authority should be established over the use of the funds.

We believe that the Legislature should give consideration to these questions and determine the need for changing the provisions of Section 1047 of the Military and Veterans Code.

VIII. GENERAL INFORMATION

This section contains comments on the organization of the home in state government and history together with a description of the current home facilities and member population trends over the last twelve years. It is shown that the domiciliary population has decreased 53 percent since 1960.

We also describe the plan initiated in 1970 whereby fees are charged to members. The implementation of this plan provided \$877,000 to the home in the 1970-71 fiscal year and \$1,267,000 in 1971-72.

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
- Undertake an extensive study of the alternative uses that could be made of the land and facilities of the home giving consideration to the question of proprietorship and the costs of renovation and modification for the several alternatives.	5
- Defer the undertaking of any major maintenance and repair projects or modifications pending the completion of the study and the presentation of study results and the department's recommendations to the Legislature.	5
- Revise the current administrative manual to encompass all policies and disseminate the manual among the employees of the home.	8
- Develop procedure manuals for all of the operating units of the home and give consideration to requesting the Management Assistance Division of the Department of General Services to provide assistance in the development of these manuals.	8
- Review presently prepared internal reports for content and completeness and require all operating units to prepare progress and status reports on activities and programs.	9
- Establish an orientation program to familiarize personnel with established practices and procedures and which emphasizes the care and treatment of the members of the home.	10
- Establish an orientation program for new members.	11

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- Screen all personnel files and inform management of those employees who require personnel performance reports to bring their file to a current condition.	12
- Establish a health and safety committee to report regularly to the manager on health and safety conditions.	13
- Restrict the use of firearms to the needs of security personnel.	13
- Redefine the program element of hospital care and services so that hospital care and services and extended nursing care and services are budgeted as separate elements.	15
- Accumulate costs according to program elements.	16
- Develop quantitative data to use to measure results yielded by each element.	16
- Establish standards by which performance can be measured.	16
- Initiate steps to better inform staff personnel of the expected goals and the amount of resources available for the accomplishment of these goals.	17
- Secure the services of the California Medical Association to evaluate the medical staff of the home and its administration in terms of the number of staff, its quality, the medical specialties required, and its ability to meet the needs of care and treatment to the members.	19

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- Staff all domiciliaries on a 24-hour basis with professional personnel under the supervision of a physician.	23
- Convert the remaining domiciliaries which are to be used for housing members not requiring extended nursing care from open bay barracks to roomettes.	23
- Establish procedures for the discipline of home members; inform members regularly of these procedures; and, once established, apply them in a consistent manner.	24
- Prepare a manual of all rules of conduct; keep manual updated; and make copies readily available to all members.	24
- Establish procedures whereby all rules regarding the conduct of members must be approved by the manager of the home prior to becoming effective.	24
- Establish a set of penalties for the infraction of home rules and apply them in a consistent and fair manner.	25
- Reclassify the position of food manager to food administrator II.	27
- Amend the Welfare and Institutions Code and the Health and Safety Code to include the Veterans Home so that it will be subject to the provisions of the California Food Sanitation Act and the California Restaurant Act.	30
- Review the methods and procedures by which food service personnel determine and record the daily count of meals served.	30

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- Review the practices of the food service operation concerning shifts and days off.	30
- Review the method of feeding in the annex dining rooms.	30
- Review the practices and the timing for measuring the temperature of food served.	30
- Restructure the organizational plan to carry out the rehabilitation program and place it under the full-time direction of a physician preferably with a specialty in physical medicine.	32
- Develop cost accounting procedures which will reflect the aggregate costs of the rehabilitation program.	32
- Discontinue recognition of this hospital ward as a separate part of the rehabilitation program.	33
- Review the bases for referring members to the various rehabilitation activities and take steps to obtain the cooperation of all personnel in carrying out the program's objectives.	34
- Place the planned activities program under the control of the person charged with the responsibility for directing and administering the rehabilitation program.	35
- Obtain the services of a full-time recreational therapist to serve under the direction of the head of the rehabilitation program.	36

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- Place the coordinator of volunteer services under the direction of the head of the rehabilitation program.	36
- The Legislature give consideration to the need for a change in the provisions of Section 1047 of the Military and Veterans Code:	
- To determine whether the uses of the resources of the Post Fund should be as unlimited as they are under the language stating "to provide for the general welfare of the home and its members," or whether restrictions should be placed on the use of these resources.	41
- To determine whether the broad discretionary use of the resources of the Post Fund should remain with a single individual, the manager, subject to the approval of the Director of Veterans Affairs, or whether additional authority over the use of these resources should be established.	41
- Limit the duties of the manager of the Post Fund enterprises to the management of those enterprises.	43
- Establish a committee to set operational policy, to prepare budgets, and to act upon recommendations made for expenditures of Post Fund monies.	43
- Study the costs and benefits of the swimming pool and determine need for its continued operation and maintenance.	45

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- Continue operation of the bowling alley as a Post Fund enterprise only if it does not cause a drain on Post Fund resources.	45
- Establish a separate accounting for the amount of the gift.	46

I. INTRODUCTION

In calendar year 1970, we were requested to review the management and personnel practices of the Veterans Home of California. This request stemmed from a series of charges made by a physician who, at that time, was on the staff of the home. These charges stirred a great deal of controversy at the home and caused some members and some employees to take sides for or against the management of the home.

In the main, these charges related to the level and the adequacy of the care and treatment of the home members. They encompassed the abilities or inabilities of the medical staff to provide the proper care and treatment to the members, the use of the facilities available at the home, and the types of care, treatment, and services provided to the members. Further discussion of the charges is included in a following section of this report on the care and treatment of members.

During the review of these charges, other aspects of the home's operations were drawn to our attention, and it was decided to extend the work to include a review of all operations of the home.

During late 1970 and early 1971, we prepared a draft of a report on our findings and recommendations. However, primarily because of the time demands of other work assignments, a report was not finalized and issued at that time.

In July, 1972, we were requested to update the information gathered in our earlier work. This was done during August of 1972. This report, then, contains our findings and recommendations developed during our earlier work but modified to the extent necessary to reflect current conditions at the home.

Changes have occurred since our earlier work. Both the Manager (now titled Administrator) of the home and the Chief Medical Officer who were serving at the earlier time have retired. A new manager was employed in February of 1972. During the six-month period of his management of the home, considerable change has taken place in the internal affairs of the home. Organizational changes have been made, and further reorganization is contemplated. New policy has been formulated. Internal reporting and control has been strengthened, direction over the day-to-day affairs is stronger and less fragmented, and communication between management and the employees and members of the home is improved. During our earlier work, we noted that there were several points of controversy between management of the home and the members and the employees. We believe that these points are now largely settled.

Some of the changes made in the operations of the home relate to several of the findings and recommendations contained in the report. Discussions with the management of the home and of the department relative to the changes made and future plans indicate that there is substantial agreement with the points made in the report.

Evaluation of changes that have been implemented as well as other proposed changes must necessarily be deferred until the reorganization is complete, new policies and procedures have been fully developed, and results become available. However, we believe that substantial improvement has been made in recent months and that further improvements in the conduct of the operations of the home can be expected.

II. FUTURE ROLE OF HOME

The Department of Veterans Affairs and the administration of the home, faced with a declining population and current trends in medical care, must address themselves to the question of what the future role of the home should be.

Several roles have been suggested which would require either changes in proprietorship or changes in admissions. In either case, amendments to the Military and Veterans Code would be required.

At the time the property was given to the state, it was specifically designated that it be used for housing and care of veterans. One of the first questions to be answered, in deciding the future role of the home, is whether the state has the right to depart from this designated use.

There has been litigation involving the home and a veteran's organization on the question of renting a domiciliary to an outside organization. The courts found that the home could do so.

Any change in the role of the home would involve extensive and costly renovation and modification of facilities. The Office of Architecture and Construction (OAC) has recently completed a survey of the home's needs for repair and maintenance. OAC estimates a cost of \$4 million for needed repairs and improvements to permit the use of the buildings and facilities for approximately ten years without change in the existing program. In any case, it seems important that the future role of the home be determined prior to any expenditure of funds on the scale indicated. Some of the alternatives that have been proposed, both within and outside of the department, and considered, are described in the following paragraph.

The suggestion has been made that the federal Veterans Administration take over the home. The department feels that this is not now feasible since similar federal facilities are also faced with declining populations.

It has been proposed that the home could be used as a police academy. This would require extensive capital outlay and would be incompatible with the home's present role.

The admission of husband and wife combinations has been considered. The home would have to make extensive arrangements for this if it planned to keep the family unit together.

The home has been considered as a facility for veterans requiring mental health care. Current mental health trends are away from institutional care and treatment to community care and treatment.

Napa College has entertained the idea of giving up their facilities for the home. The college would turn over their facilities to secondary education.

The County of Napa has thought of using the home for an administrative center.

Other possible roles include: (1) a geriatric training facility, (2) a training center for state agencies, or (3) a multi-county geriatric center.

Nearly all of the proposals suggested would require changes in proprietorship and extensive renovation.

Some consideration was given to include the home as part of the newly proposed Department of Health; however, this proposal was rejected.

In any case, the Department of Veterans Affairs does not consider the alternatives mentioned above to be the full range. Furthermore, the department has not made any in-depth studies to explore the full possibilities of all alternatives and the budgeting impact on the state as to the future role of the home.

If the trend in population continues downward at the home and the trends in community care continue, the decision as to which course to pursue must be made in the very near future.

RECOMMENDATIONS

- Undertake an extensive study of the alternative uses that could be made of the land and facilities of the home giving consideration to the question of proprietorship and the costs of renovation and modification for the several alternatives.
- Defer the undertaking of any major maintenance and repair projects or modifications pending the completion of the study and the presentation of study results and the department's recommendations to the Legislature.

III. ADMINISTRATION

The home is a division of the Department of Veterans Affairs. Administration of the home is vested in the manager who reports to the departmental director.

The home has two separate and distinct types of care and treatment facilities. One is medical care and the other is domiciliary.

The medical care facility is under the direction of a physician who has the title of Chief of Medical Services. Domiciliary facilities are under the direction of the business manager. In the absence of the manager, the chief of medical services is the acting manager of the home.

Because each facility uses the services of the other, there is some overlapping of management responsibilities. In general, however, the management responsibilities of the two facilities are divided as follows:

Business Manager

Food Service
Service and Supply
Security
Plant Operations
Registrar (admissions)
Accounting and Personnel
Domiciliaries (non-medical)
Post Fund Service

Chief of Medical Services

Dentistry
Radiology
Nursing Service
Surgical Service
Laboratory Service
Medical Service

Chief of Medical Services (cont.)

Pharmacy
Eye, Ear, Nose and Throat Service
Rehabilitation
Social Service
Domiciliary (medical)

POLICY MANUAL

Policy at the home lacks cohesiveness. It is often promulgated on a fragmentary basis from within various levels of the organizational structure. Consequently, procedures, rules, and regulations are not consistent throughout the operating units of the home.

Policy has not been adequately defined in many critical areas. For instance, even though an administrative manual is in existence, no specific rules on regulations are included in the manual for such activities as admissions, security, publications and reports, parking, care and treatment of others such as guests and students, or visitors' privileges. We found that many operating units within the home were not aware that such a manual existed.

Because of the complexities involved in the operation of a facility of this type, we believe that a comprehensive policy manual which sets out the rules, regulations, and policies established to achieve the objectives of the home is vitally needed. This manual should serve to spell out and promote recognized practices and procedures for the care and treatment of the members. In addition, it should serve as a guide for the carrying out of departmental policy. It should be revised as needed to reflect any changes in departmental policies or objectives.

RECOMMENDATION

- Revise the current administrative manual to encompass all policies and disseminate the manual among the employees of the home.

PROCEDURE MANUALS

None of the operating units have procedure manuals and as a consequence operating procedures vary among personnel.

Procedure manuals should be prepared for each operating unit. These manuals should be used by employees for reference and training. In addition, the manuals would aid in providing consistent application of operating procedures.

RECOMMENDATION

- Develop procedure manuals for all of the operating units of the home and give consideration to requesting the Management Assistance Division of the Department of General Services to provide assistance in the development of these manuals.

MANAGEMENT INFORMATION

In order for management to be able to make constructive decisions, a management information system that shows the status of its various activities and programs is vital. At the home, we found that needed information is not always made available to management. Reporting procedures are mostly inadequate,

and they generally do not provide management with the kind of information necessary for decision making. Properly prepared reports should be management's best means to evaluate program effectiveness.

Examples of areas in which information should be channeled to management include:

1. The planned activity program reporting on the number and types of activities available and the number of members active in the program.
2. Maintenance reporting on work performed and work that is needed to be performed so that priorities can be set.
3. Rehabilitation reporting on the effectiveness of the program and the number of members participating.

The foregoing examples are illustrative of the type of information that the management of the home should seek in order to enable it to make informed decisions.

RECOMMENDATION

- Review presently prepared internal reports for content and completeness and require all operating units to prepare progress and status reports on activities and programs.

EMPLOYEE ORIENTATION

The home has over seven hundred employees with a wide range of specialties in many departments. These individuals constitute a therapeutic community whose purpose, regardless of classification or occupation, is the care and treatment of aged veterans. Each individual who performs his daily tasks must constantly keep in mind the purpose of the home.

Proper orientation of personnel assists management in the achievement of its goals. The home does not have an established orientation plan. Some employees, for example, complained about not knowing the whereabouts of key facilities. Other employees, with years of service, did not know what to do in case of fire.

The management personnel of the home have clear and distinct concepts regarding the care and treatment of aged individuals. These concepts together with new methods of care and treatment must be constantly imparted to the staff regardless of their profession or previous experience.

RECOMMENDATION

- Establish an orientation program to familiarize personnel with established practices and procedures and which emphasizes the care and treatment of the members of the home.

MEMBER ORIENTATION

The home does not have a formal orientation program for incoming members. Although the home has two full-time social workers who interview the new members, little effort is made to show these new members all of the facilities that are available at the home.

The home admits approximately two new members a day. An adequate orientation program could be established on a weekly or a bi-monthly basis.

RECOMMENDATION

- Establish an orientation program for new members.

PERSONNEL PERFORMANCE REPORTS

Performance reports are a means to evaluate the effectiveness of employees. Without a written record of an employee's performance, management would find it very difficult to judge the contributions made by an employee. Further, these reports serve to indicate to the employee those areas where improvement is needed.

Section 19302 of the Government Code, and Sections 900-904 of the Personnel Transactions Manual provide for the annual preparation of performance reports.

With the exception of the department of security, each department has some employees without current performance reports in their files. In some cases, employees have not had an evaluation report prepared in four years.

RECOMMENDATION

- Screen all personnel files and inform management of those employees who require personnel performance reports to bring their files to a current condition.

HEALTH AND SAFETY

The home is not subject to the Health and Safety Code. Although the various departments claim they follow the provisions of the code, there are instances which indicate that health and safety standards have not been given proper attention. Following are examples:

- Needles and syringes were found in disposal areas.
- Dishes dropped and not cleaned before use.
- Food dispensing areas using "no pest" strips
- Food dropped and replaced in trays
- Flies in dining areas
- Open trench left unguarded near member area
- Use of firearms discussed in this chapter
- Handling and storage of food discussed in Chapter V
- Allowing access to hospital garbage cans by members
- Domiciliaries and extended nursing facilities without internal fire alarm systems
- Wheel chairs with faulty brakes
- Night nursing supervisors without adequate alarm system
- Highly polished floors.

A committee should be established within the home made up of various specialties which would report directly to the manager on all problems involving

health and safety. Further, the home should obtain the services of the local public health agency and the State Department of Public Health for inspection purposes.

RECOMMENDATION

- Establish a health and safety committee to report regularly to the manager on health and safety conditions.

USE OF FIREARMS ON HOME GROUNDS

Officially, the home prohibits the use of firearms on the grounds. This restriction is specifically mentioned in the rules of conduct for members; however, the use of firearms by others is not clear. The security department's log shows that firearms have been discharged around the buildings of the home and on the grounds.

The prohibition of firearms should be applied equally to all others, with the exception of security personnel. There should be no departures from stated policy, and the rules should be enforced.

RECOMMENDATION

- Restrict the use of firearms to the needs of security personnel.

IV. PROGRAM BUDGET

One of the programs of the Department of Veterans Affairs is the care of sick and disabled veterans. This program is carried out by the Veterans Home of California. The program includes three elements. They are (1) hospital care and services, (2) domiciliary care and services, and (3) rehabilitation care and services.

To meet its objectives, the home budgeted \$8,203,000 for the fiscal year 1971-72 for these three elements.

<u>Element</u>	<u>Positions</u>		<u>Budget</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1. Hospital Care and Services	566	80%	\$6,117,000	75%
2. Domiciliary Care and Services	117	16	1,723,000	21
3. Rehabilitation Care and Services	<u>26</u>	<u>4</u>	<u>363,000</u>	<u>4</u>
Total	<u>709</u>	<u>100%</u>	<u>\$8,203,000</u>	<u>100%</u>

We believe that the first element should be redefined.

HOSPITAL CARE AND SERVICES

The element of hospital care and services includes two distinct types of care. One type is hospital care and the other is extended nursing care. The home differentiates between the two types of care on a statistical basis. Transfers between the two types are indicated in reports. The ratio of doctors to members is one to thirty in the hospital while in extended nursing care the ratio

is one to 120. The ratio of nursing service personnel to members in the hospital is one to two while in extended nursing care the ratio is one to nine. The federal government reimburses the home \$7.50 per day per member for hospital care and \$5.00 per day per member for extended nursing care. The home stated that for fiscal year 1970-71 its hospital care costs were \$30.62 per day per member and \$12.36 per day per member for extended nursing care. In its recently instituted policy of charging members for care and service, the home charges \$4.00 per day for hospital care and \$3.00 per day for extended nursing care.

RECOMMENDATION

- Redefine the program element of hospital care and services so that hospital care and services and extended nursing care and services are budgeted as separate elements.

ACCOUNTING INFORMATION FOR
PROGRAM PLANNING AND BUDGETING

The home does not have an accounting system that is adequate to accumulate costs according to the elements of the program budgeting plan introduced by the state.

A system should be devised that will enable management of the home to compare planned cost with actual cost for each program element. The reasonableness of costs incurred to provide the care and service required by each element could then be better evaluated by management and the Legislature.

The development and use of quantitative data are essential in the determination of results yielded by each program element. The home's program budgeting procedures, accounting system, and information system do not provide the quantitative data necessary to make this analysis. Further, performance standards have not been sufficiently developed to provide the yardstick against which progress in achieving objectives can be measured.

RECOMMENDATIONS

- Accumulate costs according to program elements.
- Develop quantitative data to use to measure results yielded by each element.
- Establish standards by which performance can be measured.

ALLOCATION OF BUDGETED FUNDS

Under the concept of program budgeting, monies are allocated by the Legislature in accordance with the needs of the various program elements. In order to achieve maximum results with the resources so provided, management at all levels should be provided with a thorough knowledge of the amounts made available and the goals expected to be achieved.

In our review we noted many instances in which middle management personnel were not made aware of either the amount of resources available or the goals expected to be achieved.

We believe that the objectives of the home can be realized only through a well informed staff that is cognizant of available resources and the goals to be achieved.

RECOMMENDATION

- Initiate steps to better inform staff personnel of the expected goals and the amount of resources available for the accomplishment of these goals.

V. CARE AND TREATMENT OF MEMBERS

Early in 1970, a physician on the medical staff made charges that the care and treatment being offered to the veterans at the home was inadequate.

Some of the criticisms voiced by the physician are outlined below.

- Inadequate care and treatment because of inability of medical staff to meet the needs of the members
- Imbalance in medical specialties on staff
- Large proportion of medical staff was over 65 years of age.
- Rehabilitation program was ineffective.
- Inefficiency in the laboratory
- Medical records were altered.
- Some physicians were working out of specialty.
- Some physicians were incompetent.

As can be seen from the outline above, there are many charges made that can be properly evaluated and a determination made as to their validity only by members of the medical profession having extensive training and experience. Although the controversy raised by these charges has now quieted, it is our conclusion that the charges are sufficiently material in their scope as to warrant every effort by the home to determine whether or not there is any substance to the charges made. If the findings of an independent, qualified group show that the

charges, or any part of them, are valid, then the administration of the home has the basis to take immediate and firm action to improve the medical staff for the betterment of care and treatment of the members. If, on the other hand, the charges are found to be groundless, the findings should be made known to all interested parties and the controversy should be settled. It seems to us that because of the controversy raised, it would be less than fair, especially to the members, to fail to obtain a full, independent review by qualified members of the medical profession.

In this connection, we are advised that the California Medical Association has a program designed for the purpose of evaluating the adequacy of medical staff and the effectiveness of patient care.

RECOMMENDATION

- Secure the services of the California Medical Association to evaluate the medical staff of the home and its administration in terms of the number of staff, its quality, the medical specialties required, and its ability to meet the needs of care and treatment to the members.

DOMICILIARY MEMBERS

The domiciliary population represented approximately 39 percent of the total population of the home as of June 30, 1972. This population is housed in five buildings, one of which houses female members. The domiciliary section of the home has approximately 1,000 vacancies which includes the one and one-half buildings now leased to Napa Unified School District, Napa County Superin-

tendent of schools, and California Department of Fish and Game. The majority of the domiciliary population lives in barracks-style quarters. Rooms or roomettes are provided for some members.

The domiciliary population reached a post World War II peak of 1,229 or 61 percent of the total population of the home in 1958. It has been steadily declining since that time until at June 30, 1972, it numbered 501.

Population Decline

Various reasons are cited for the decline in population. The administration gives as one reason the increases in benefits to veterans such as social security and medicare which allows some veterans to reside elsewhere. They also cite the trend away from institutional care to community care. Other reasons given by the administration are (1) a lack of information concerning the availability of the home, (2) a general trend of decline in state homes and veterans domiciliary populations throughout the country, (3) a general distaste for barracks-type living, and (4) the location of the home away from a metropolitan area.

In the past five years, the home has admitted an average of 414 members per year. Of these, approximately two-thirds were new admissions. During this same period, the home experienced an average of 465 member losses per year. Of these, an average of 90 were either dismissed for disciplinary reasons or were absent without leave; 31 went to other facilities; 162 died; and 182 left at their own request.

The turnover of 182 members a year, who left at their own request, is an indication that many veterans cannot adjust to the type of living available

at the home. Two reasons for this have been put forward: (1) the member cannot adjust to the barracks-type quarters, and (2) the member is lonely and misses familiar surroundings.

We believe that if the domiciliary units were supervised by professional personnel and the remaining domiciliary units were converted from open bay barracks to roomettes, this rate of turnover would diminish.

Domiciliary Supervision

The male domiciliary population is supervised by the business manager and the registrar of the home. The female population is supervised by geriatric nursing assistants who are a part of nursing service.

The individual domiciliary facilities, with the exception of Section E, (discussed below) are supervised by members selected by the business manager and the registrar. These members have titles, and they are on duty around the clock. They are responsible for the discipline of the members and the maintenance of the domiciliary. They maintain the bulletin boards and are supposed to keep the other members informed.

These supervising members have certain privileges. They have private rooms; and, also, they have considerable authority over the other members. They determine who shall work in and around the domiciliaries, and they are responsible for the count of members each morning.

Among other things, the supervising member is required to determine, in the case of an emergency, whether an ambulance or a security automobile is needed. They are put in the position of having to make medical decisions when they are not equipped, either by education or experience, to do so.

At the present time, Section E is staffed, from 5:30 A.M. to 10:30 P.M., by a civil service employee who reports to the registrar. This section houses members with special problems and those who are more difficult to handle together with other members.

The charge has been made that some of the supervising members often show favoritism to their friends, or that all members are not treated alike. Statements were made, too, that unwarranted accusations were made on the one hand and that some incidents were not reported on the other.

Supervision of Section E by civil service employees has resulted in an improvement of member morale and little or no feeling of favoritism when discipline is required.

Other items which were brought to our attention during the work include:

1. Medical and dental examinations for domiciliary members are on a voluntary basis. There is no procedure in effect which will insure that the domiciliary members are examined medically on a regular basis.
2. There is no control over prescribed medications in the domiciliaries. Large caches of medications have been found in members lockers, which indicates that some members are not taking their medications at all, and the possibility that others may be taking too much.

3. Section leaders, who are supervising members, are reluctant to send members in need of medical attention to the hospital because of the additional sixty dollar charge to the member per month for hospitalization.

RECOMMENDATIONS

- Staff all domiciliaries on a 24-hour basis with professional personnel under the supervision of a physician.
- Convert the remaining domiciliaries which are to be used for housing members not requiring extended nursing care from open bay barracks to roomettes.

DISCIPLINARY PROCEDURES

During our review, we were advised by a number of the members that the disciplinary procedures had not been applied consistently and with equal force on all occasions. In some cases, it was felt that there was a "double standard" in the handling of disciplinary procedures and the application of penalties. The members were confused as to their rights when they were subjected to discipline.

Based upon our review and our observations, we concluded that departures from established procedures had taken place in the handling of violations of the rules and regulations. It seemed to us that communication between management and the members required improvement, and that management should undertake additional effort to provide information to the members to dispel rumors and stories concerning disciplinary procedures and penalties.

During 1970, the rules and regulations set forth in the administrative code for the home were changed including those relating to disciplinary procedures.

We believe that it is incumbent upon the management of the home to make every effort to inform the members about disciplinary procedures, penalties, and any changes in the interpretation or application of the rules and regulations. In addition, it is important that the procedures, including penalties, be administered consistently and within a reasonable period of time after a violation takes place. Further, the members should be regularly advised and reminded regarding the procedures in effect. Not only are the members aged and, therefore, likely to forget, but there are new members regularly admitted to the home that need to know these rules and regulations to retain residence in the home.

RECOMMENDATIONS

- Establish procedures for the discipline of home members; inform members regularly of these procedures; and, once established, apply them in a consistent manner.
- Prepare a manual of all rules of conduct; keep manual updated; and make copies readily available to all members.
- Establish procedures whereby all rules regarding the conduct of members must be approved by the manager of the home prior to becoming effective.

APPLICATION OF PENALTIES

Penalties imposed for infractions of the rules of the home are of two types. The first, or minor, type of penalty is restriction and it is usually imposed at the "hearing" level. The length of these restrictions vary from days to months. The second, or major, type of penalty is dismissal from the home. The most common offense for which this penalty is prescribed is the use or possession of alcohol.

A review of the penalties imposed indicated that the home was not consistent in the application of these penalties. The files indicate that for the same offense, the home has meted out varying penalties. For the first offense of being absent without leave, the home has meted out reprimands, 30-day restrictions, and a 50-day restriction. For the offense of possession of alcohol on grounds, the penalties imposed ranged from 30-day restrictions to dismissal.

In those cases where the penalty of dismissal was imposed, the home on occasion, set a period of time which had to elapse before the member could re-enter the home. In some instances, the member was readmitted to the home prior to the expiration of the set time.

RECOMMENDATION

- Establish a set of penalties for the infraction of home rules and apply them in a consistent and fair manner.

FOOD SERVICE MANAGEMENT

Food service for the members is directed by a food manager who reports to the business manager of the home. The staff includes positions for a food administrator, dietitians, cooks, bakers, a butcher, supervisors, and assistants. The food service manager is not a trained dietitian.

Members of the home are fed at five different locations: main dining room, hospital dining room, two annex dining rooms, and the hospital wards. Meals are served family style in all locations except the hospital wards where individual trays are used.

The food manager job classification is used by the home, and it is similar in duties and pay to the food administrator II classification used by the State Department of Mental Hygiene, Department of Corrections, and Department of Youth Authority.

Requirements for the two classifications are as follows:

Food Manager -

"Either I - One year in the California State service performing the duties of a Supervising Cook II."

"Or II - Experience: Three years of full-time paid experience in the management of one or more large kitchens with responsibility for supervision of food service personnel and for the planning, preparation, and serving of meals for at least 300 persons per meal...and

"Education: Equivalent to completion of the twelfth grade."

Food Administrator II -

"Either I - Experience: Two years of full-time paid experience in a position comparable to that of a dietitian, nutritionist, or food service manager which had included supervisory responsibility for a program of food preparation, serving, buying, storage, and nutritional accounting in a hospital, school, industrial plant, or similar organization serving a minimum of 500 persons per meal; and

"Education: Equivalent to graduation from college and completion of an approved internship in institutional management or dietetics..."

"Or II - One year experience performing the duties of a Food Administrator I in the California State service."

The most significant difference in the two classifications is the educational requirement, a high school graduate for food manager and the equivalent to graduation from college for food administrator II. Also, as an alternative, one year as a supervising cook II will suffice for the food manager classification with the alternative for the food administrator II classification being one year as a food administrator I which is the higher of the two alternatives.

We believe that the qualifications for food administrator II more nearly fit the requirements which should be possessed by the individual with the responsibility for food services at the home.

RECOMMENDATION

- Reclassify the position of food manager to food administrator II.

DEFICIENCIES IN FOOD SERVICE

During the course of our review we noted the following deficiencies in the food service operation:

- There is lack of an in-service training program to promote sanitation, safety, and housekeeping standards.
- Rules for proper sanitation are not always followed.
- Food is not always served at the proper temperature.
- Liquids are sometimes left setting on the tables for up to two hours before feeding time.
- Cooked foods and left-overs are not covered or dated.
- Food containers are stored on floor of lockers.
- Cigarette ashes and gum wrappers were found near cooking vats.
- Members were rushed to finish eating in hospital wards.
- Food temperatures are taken in cooking area rather than serving area.
- Members on diets are not controlled.

We noted also that the record count of meals served as recorded by food service personnel is not reliable. The food service department prepares a monthly record of meals served by type of diet and by location.

In counting the number of members eating throughout the home, we noted the following:

- The record of meals served in the hospital and annexes is substantially correct.
- The record of the number of meals served at the main dining room is overstated.
- One-third of the domiciliary population does not eat in the main dining room.
- Electric food carts are left unplugged.

The annex dining rooms are drab and crowded compared to the hospital and main dining rooms. Approximately 160 members eat in each of the annex dining rooms. Food for one annex is prepared in the hospital kitchen and for the other in the main kitchen. Food is transported in electric carts on trucks from each food preparation area. Supervision of these two areas is divided and minimal. This method of feeding should be reviewed.

Food service operates on a two-shift basis, i.e., morning and afternoon shifts which overlap. Once an assignment is made to a shift it is practically a permanent assignment, i.e., there is no rotation between shifts. Days off for personnel are determined by length of service.

The home is not subject to the provisions of the Welfare and Institutions Code. (Section 4134 of this code provides that state mental hospitals shall comply with the provisions contained in the California Food Sanitation Act, Article 1, commencing with Section 28280 of Chapter 7 of Division 21 of the Health and Safety Code and the provisions contained in the California Restaurant Act,

Chapter 11, commencing with Section 28520 of Division 21 of the Health and Safety Code.) We believe that the home should be subject to these provisions in the law.

RECOMMENDATIONS

- Amend the Welfare and Institutions Code and the Health and Safety Code to include the Veterans Home so that it will be subject to the provisions of the California Food Sanitation Act and the California Restaurant Act.
- Review the methods and procedures by which food service personnel determine and record the daily count of meals served.
- Review the practices of the food service operation concerning shifts and days off.
- Review the method of feeding in the annex dining rooms.
- Review the practices and the timing for measuring the temperature of food served.

VI. REHABILITATION

Rehabilitation Care and Services is one of the three program elements in the home's budget. As stated in the budget, this program "encompasses both professional and recreational activities, designed to benefit domiciliary, hospital, and nursing care members by increasing their self-sufficiency and interest in life". To achieve this objective the following services are set forth in the budget:

- Activities planning committee
- Planned activities assignments
- Occupational therapy
- Rehabilitation ward
- Sheltered workshops
- Arts and crafts
- Volunteer services.

The budgeted amount for rehabilitation care and services for the 1971-72 fiscal year was \$356,000 or about 4% of the home's total budget.

ORGANIZATION

The overall effectiveness of the rehabilitation program is hampered by the organizational structure imposed upon it. There is no centralized control. Authority and responsibility is divided among several departments. Consequently, the centralized control needed for effective coordination to achieve the program objective is missing.

RECOMMENDATION

- Restructure the organizational plan to carry out the rehabilitation program and place it under the full-time direction of a physician preferably with a specialty in physical medicine.

BUDGET FOR REHABILITATION

Except on a fragmented basis, accounting records are not maintained in a manner to reflect the accumulated costs by program element. Accordingly, budgetary amounts applied to rehabilitation do not represent all of the applicable costs required to carry out the element. We observed that the amount budgeted for rehabilitation is based on a percentage of the total budget for the home. The budget of the home for rehabilitation has been consistently calculated at 4.3 percent of the total budget rather than on the basis of an analysis of costs attributable to the program.

Evaluation of the effectiveness of this program requires the accumulation of all costs which pertain to the operation of the rehabilitation program.

RECOMMENDATION

- Develop cost accounting procedures which will reflect the aggregate costs of the rehabilitation program.

REHABILITATION WARD

For a number of years, from a budgetary standpoint, one ward in the hospital has been considered to be a part of the rehabilitation program. This

ward has a capacity of approximately thirty beds and about the same number of members. The ward is staffed by nursing service personnel on the same basis as other wards in the hospital. The physician assigned to this ward has a specialty in psychiatry and until recently was the acting chief of rehabilitation.

Costs for this ward are not distinguished from hospital care, treatment, and services. Consequently, this ward is no different from other wards in the hospital.

RECOMMENDATION

- Discontinue recognition of this hospital ward as a separate part of the rehabilitation program.

MEMBERS' PARTICIPATION

Because the quantitative data used in reporting treatments and visits vary among reporting units, the number of members actually active in the rehabilitation program is unknown. However, there are indications that the services offered for this program are not made available to all members.

The reasons that the program has not been promoted to its fullest extent are twofold:

1. Not all attending physicians ascribe to the program's merits.
2. Some of the staff oppose the program because of the "extra work" it imposes.

RECOMMENDATION

- Review the bases for referring members to the various rehabilitation activities and take steps to obtain the cooperation of all personnel in carrying out the program's objectives.

REHABILITATION ACTIVITIES

There are certain rehabilitation activities available at the home which are not organized under the rehabilitation department. Among these activities are planned activities assignments, special services, and volunteer services.

Planned Activities Assignments

Planned activity is a work program designed to keep the member active, and it serves as therapy to promote the member's self-dependence. Ideally, this duty should be assigned in a manner that is most beneficial to the member. Partly because many activities for members have been curtailed, partly because there is emphasis on placing a member in a work assignment that is of benefit to the home rather than one that is more suitable for the member's needs, and because assignments are only for members in the domiciliary area, the planned activity program has not been as effective in the promotion of member well-being as is desired.

The activity is currently being directed by a clerk who reports to the business manager.

RECOMMENDATION

- Place the planned activities program under the control of the person charged with the responsibility for directing and administering the rehabilitation program.

Special Services

Special services, or recreation and entertainment for the members at the home, are supervised by a senior clerk who reports to the home enterprises manager.

Most of the recreation and entertainment at the home is of the spectator type. This consists of film and television viewing, baseball games, and live entertainment. There is card playing and billiards. However, for the most part all recreation is sedentary and strictly voluntary. Very little of the entertainment at the home is organized to encourage member participation.

The home provides even less for those members who are in the hospital. Those who are ambulatory are more fortunate because with permission they can leave the premises. However, others, who are not ambulatory, are limited to reading newspapers and viewing films or television.

Over the past few years many activities for home members have either been curtailed or abolished. For example: the coffee shop and recreation center hours have been decreased; the baseball and band programs have been significantly reduced; and the greenhouse has been closed.

New ideas for programs in the area of recreation and entertainment are needed to establish activities that are of interest to the members. Establish-

ment of these activities will require intensive planning and implementation. A person skilled in recreational therapy should be obtained to promote and coordinate activities of a type which would best benefit the members of the home.

RECOMMENDATION

- Obtain the services of a full-time recreational therapist to serve under the direction of the head of the rehabilitation program.

Volunteer Services

The coordinator of volunteer services reports directly to the manager of the home.

In the past, efforts to develop this activity on a number of occasions have not been successful. Since the rehabilitation program has not developed over the past years, recruitment of volunteers also was not successful. Now there are indications that it is starting to succeed.

Volunteer services is part of the rehabilitation program according to the home's budget. It receives funds from both the general fund and the post fund. Therefore, it should be considered as a part of the total rehabilitation program organizationally as well as financially.

RECOMMENDATION

- Place the coordinator of volunteer services under the direction of the head of the rehabilitation program.

VII. POST FUND

The Post Fund has been in existence at the home for many years. It was given legal recognition by the Legislature in 1955, with the addition of Sections 1047, 1048, and 1049 to the Military and Veterans Code.

Section 1047 of the code places the administration of the Post Fund with the manager of the home. Authority to use the resources of the fund rests also with the manager, subject to the approval of the Director of Veterans Affairs. Section 1047 reads, in part, as follows:

"The commandant (now designated as manager) shall maintain a Post Fund which shall be used, at the discretion of the commandant subject to the approval of the Director of Veterans Affairs..."

The purpose of the Post Fund is defined also in Section 1047 of the Military and Veterans Code as follows:

"...To provide for the general welfare of the home and its members to include but not limited to providing for operations of the Veterans' Home Exchange, motion picture theatre, library, band, and to pay for newspapers, chapel expenses, welfare and entertainment expenses, sport activities, celebrations, and to pay for any necessary insurance to protect property of the fund or the Veterans' Home Exchange, or any other activity for the benefit of the home or its members."

RESOURCES AND THEIR USES

Sources of income to the Post Fund are varied, and the income is substantial in amount. During the 10-year period ended June 30, 1972, average annual gross income from all sources was \$641,000 and average expenses were \$394,000. Average annual net income to the fund amounted to \$247,000 for the 10-year period.

The main sources are the revenues from the operation of the home exchange and from other activities as stated in Section 1047 of the Military and Veterans Code; money and property of a member not claimed upon the death of the member as provided in Sections 1035.05, 1035.3, and 1035.4; unclaimed members' deposits under Section 1038; proceeds from sale of personal property under Section 1038.1; interest earnings on investments of members' funds held in trust by the home under Section 1042; and the amount of the checks drawn upon any Trust Fund of the home that are unclaimed or uncashed for a period of one year under Section 1042.1.

It is clear that the resources of the Post Fund are provided by the members of the home or from member-supported enterprises.

When you consider the following points, a question arises as to whether the uses of Post Fund resources are consistent with what was intended by the language of Section 1047 of the Military and Veterans Code.

- The purpose of the Post Fund is "...To provide for the general welfare of the home and its members... or any other activity for the benefit of the home or its members".
- Some of the uses or proposed uses of resources (as described in following paragraphs) are at best only of indirect benefit to the members. Some uses seem to be of more benefit or convenience to employees rather than members. Further, there would seem to be some question as to the appropriateness of using these resources for

capital additions or capital improvements to facilities that are usual to the care, treatment, and maintenance of members.

- The fact that the resources are generated or provided by the members or by member-supported activities and that these resources are substantial in amount.

An additional point to consider is whether resources generated or provided by members should be used as an additional contribution to the "...General welfare of the home..." in view of the fact that a fee schedule for residence in the home has been put into effect.

Because the use of the resources of the Post Fund raised questions in our minds, we asked the following questions in a request for an opinion from the Legislative Counsel.

"Do the provisions of Section 1047 of the Military and Veterans Code to use the resources of the Post Fund '...to provide for the general welfare of the home and its members...' and '... to pay for...any other activity for the benefit of the home and its members' give the authority to the Director of the Department of Veterans Affairs and the Manager of the Veterans Home to use these resources to finance:

- "(a) Only those capital additions, improvements to property and plant, and purchases of equipment, furniture, and furnishings which are connected with the operation of such member-supported enterprises and activities as are specified in Section 1047, or similar enterprises or activities, and which are not related to the usual care, maintenance, and treatment of members?
- "(b) Any type and magnitude of capital addition, improvement to property and plant, and purchase of equipment, furniture, and furnishings without restriction, except as to availability of funds, although unrestricted use could be considered a means to supplement appropriations from the General Fund, i.e., to pay costs which, without the existence of the Post Fund, would be paid out of an appropriation from the General Fund?"

In presenting these questions to the Legislative Counsel, we included the following description of the kinds of items that have been purchased out of Post Fund monies throughout the years.

"Over the past years, the monies in the Post Fund have been used to construct permanent capital additions such as a swimming pool, a baseball diamond and grandstand, and a chapel. Annual maintenance costs of these facilities continue to be paid from Post Fund monies.

"In addition to capital expenditures, improvements have been made to the interiors of existing state-financed buildings, for example, the conversion from open bay type domiciliary residence to individual partitioned cubicles. Other examples of improvements or modifications to property and plant paid for out of the Post Fund include the resurfacing of parking lots; remodeling of main dining room dish washing facility; installation of permanently attached awnings to an existing building; development and landscaping of a picnic area including installation of a sprinkler system; laying cement walkway between nursing care annex and administration building; replacing of conventional doors with electric doors on nursing care annexes; and adding carport and improving electrical service to a state-owned residence on the home grounds.

"Equipment, furniture, and furnishings are purchased also out of the Post Fund. For example, at the time the conversion of bay type domiciliary residence to partitioned cubicles took place, furnishing of the residence was paid for out of the Post Fund. Items such as desks, lounge-type chairs, and vanity tables were provided for each of the cubicles as well as drapes for the windows. Other examples include medical supplies and drug carts used in the hospital; a patrol clock system for the security center; radio telephone equipment for the security center; and rugs, furniture, office equipment, and air conditioning units for various offices in the administration building."

In his response to our questions, the Legislative Counsel points out that broad discretion rests with the manager of the home for the use of these monies in the Post Fund. He points out further, that "There has been no judicial construction of 'general welfare of the home and its members' in the context in which the language appears in Section 1047 or of any similar language in any

comparable law." He states that the types of expenditures that we describe can, in his opinion, "...be considered to have been made 'for the general welfare of the home and its members' within the meaning of that language as used in Section 1047..."

Our letter to the Legislative Counsel and his reply are included as Appendices 1 and 2 to this report.

RECOMMENDATION

- The Legislature give consideration to the need for a change in the provisions of Section 1047 of the Military and Veterans Code:
 - To determine whether the uses of the resources of the Post Fund should be as unlimited as they are under the language stating "To provide for the general welfare of the home and its members," or whether restrictions should be placed on the use of these resources.
 - To determine whether the broad discretionary use of the resources of the Post Fund should remain with a single individual, the manager, subject to the approval of the Director of Veterans Affairs, or whether additional authority over the use of these resources should be established.

HOME EXCHANGE AND OTHER ACTIVITIES

Section 1047 of the Military and Veterans Code provides for the operation of a home exchange. This includes a grocery and sundries store, tobacco shop, clothing store, coffee shop and fountain, tavern, barber shop, and a ballpark tavern and fountain.

The exchange serves the 1,300 members of the home and the employees that work at the home. The exchange financial statements showed a profit of \$12,905 from operations during the 1971-72 fiscal year. However, the calculation of profit does not include expenses for rent or compensation insurance which are paid from other Post Fund resources. The inclusion of these expenses would place the exchange in a loss position.

Other activities, as outlined in Section 1047 of the Military and Veterans Code, to provide for the general welfare of the home and its members include a motion picture theatre, library, and band. The Post Fund also incurs expenditures for welfare and entertainment, sports activities, insurance, and the home chapel.

The management of the operations of the foregoing activities is the responsibility of the home enterprise manager. He also has the responsibility to promote and direct other recreational and special service activities of the home. The time required to effectively develop and manage all phases of these activities has not always been available to this employee. Consequently, certain activities, such as member participation in recreational activities, have not been fully developed and promoted.

We believe that the responsibilities of the home enterprise manager are too broad. He should devote his entire time to the management of the various home enterprises. The planning and motivation of member participation in recreational activities, now a part of his responsibilities, should be placed under the direction of a trained recreational therapist. This latter point is discussed further in the preceding section on rehabilitation.

A committee organized for the purpose of setting operational policy for home enterprise activities should also be established. This committee should include members of the home, a member of the Veterans Board, a physician, and representatives from nursing services, rehabilitation, social services, and administration.

RECOMMENDATIONS

- Limit the duties of the manager of the Post Fund enterprises to the management of those enterprises.
- Establish a committee to set operational policy, to prepare budgets, and to act upon recommendations made for expenditures of Post Fund monies.

MEMBER ACTIVITIES

Numerous member activities are supported out of Post Fund resources. At the present time, a theatre, bowling alley, swimming pool, and ball park are operated for member use and enjoyment. In addition, the home band, celebrations and entertainment, hospital movies, and the recreation center - which contains a card room, pool room, television room, and library - are also supported by the Post Fund.

Some of the activities provided by Post Fund resources have had excellent success in providing recreation and entertainment to the members. Examples of these successful activities are the library, card room, and pool room.

Other activities provided by Post Fund resources have not proven to be beneficial. Included in this category is the swimming pool. The pool was built at a cost of \$60,000 and requires approximately \$5,000 a year to operate and maintain. However, due to the age and physical condition of most of the members, little use is made of the pool.

In an effort to offset some of the operating expenses of maintaining the pool, management has rented the pool, on occasion, to outside organizations. Also, children of home employees have been allowed the use of the pool. These practices have met with opposition from many home members. These members believe that the pool belongs to the home members exclusively, since it was built with Post Fund monies, and usage by others is an encroachment on their rights.

Three alternatives to the present situation are available: (1) close the pool altogether, (2) restrict member use to a large degree and rent to outside organizations to recover operating costs, or (3) pay for current operating costs from General Fund appropriations. Any of these alternatives would relieve the Post Fund of current operating expenses and allow the monies so saved to be funneled into endeavors which would be more beneficial to the members as a whole.

Another activity which has met with only partial success is the bowling alley. Use of this facility is almost exclusively dominated by employees of the home. Only a few members use the facility. For some years the bowling alley has

been an income-producing activity of the Post Fund. However, in the most recent years, it has shown smaller income or a loss or has been near the break-even point.

The continued operation of the bowling alley as a Post Fund enterprise can be supported only if it does not cause a drain on Post Fund resources.

RECOMMENDATIONS

- Study the costs and benefits of the swimming pool and determine need for its continued operation and maintenance.
- Continue operation of the bowling alley as a Post Fund enterprise only if it does not cause a drain on Post Fund resources.

BEQUEST TO THE HOME

In fiscal year 1969-70, the home was the recipient of a gift from an estate of an individual that had not been a member of the home. The will stipulates that the gift is to be used "...for the purpose of medical research", and that "...such bequests shall be carried out to the extent permitted by law and to the extent not so permitted shall go instead to the University of California."

When the home received the amount of \$7,627 from the estate, the money was deposited in the Post Fund. By so doing, the gift has lost its identity and can be used for any legitimate Post Fund expenditure.

We believe that a special fund or a separate account should be established for the gift, and the intended purpose of the bequest carried out.

RECOMMENDATION

- Establish a separate accounting for the amount of the gift.

VIII. GENERAL INFORMATION

This section contains the following general information on the home:

- Organization in state government and history
- Current home facilities and member population trends
- Policy change - charging of fees.

ORGANIZATION IN STATE
GOVERNMENT AND HISTORY

The Veterans' Home of California is organized as a division of the Department of Veterans Affairs. The department is a part of the Agriculture and Services Agency.

Administration of the home is conducted by the home manager. He is responsible to the director of the department to carry out the policies of the department and those formulated by the California Veterans Board.

The home is located on 200 acres of landscaped and 500 acres of undeveloped land in the Napa Valley near the City of Yountville. The home was founded in 1883 by the Grand Army of the Republic and the Associated Veterans of the Mexican War and was taken over by the State of California in 1897.

The original charter for the home provided the following rules for admission.

- The applicant resided continuously for one year within the Department of California, Grand Army of the Republic and served in the Army or Navy during the Late Rebellion, the Mexican Wars or other wars.

- Applicant must be aged and indigent.
- Applicant has no relatives liable for his support under the law of California.

In 1939, there occurred the first substantial change in admission requirements. Chapter 565, Statutes of 1939, provided for the admission of those veterans who were eligible for hospitalization in a veterans facility in accordance with the rules and regulations of the United States Veterans Administration. Chapter 1156, Statutes of 1941 amended Section 1012 of the Military and Veterans Code to provide that the applicant need not be indigent. Since 1941, Section 1012 of the Veterans Code has been amended to provide that the applicant be a resident of the State of California for a period of five years.

The act and deed of conveyance for the property from the Veterans' Home Association to the state provided "That the property shall continue to be used as a home for the aged and indigent United States ex-soldiers, sailors and marines."

The home population on June 30, 1890 was 42 and increased steadily until 1910 when on June 30 the population was 1,047. This population was constant until 1916. Between 1916 and 1927, the population reached a low of 678 in 1920 and a high of 989 in 1927. In the next decade, the population increased steadily to a peak of 2,222 in 1937. The next decade saw a steady decline to 1,440 in 1947. From 1947, the home population increased until 1958 when the population was 2,028. The population has declined steadily since then until on June 30, 1972, it numbered 1,284.

Over many years of its existence, the home was primarily a domiciliary with medical facility as an adjunct. In 1965, the population of the medical facilities and the domiciliary were equal. The extended nursing care was added in 1952.

Prior to 1960, the home operated on a quasi-military basis. The home manager was formerly called the commandant, and the employees and members had titles and rank comparable to the usual military hierarchy. This influence is still present to some degree, but it is steadily diminishing.

CURRENT HOME FACILITIES
AND MEMBER POPULATION TRENDS

The home maintains a hospital, two extended nursing care annexes, and nine domiciliary units. Four of the domiciliary units are not now used to house members because of the continued decrease in member population. However, portions of these are rented or used for other purposes. The total bed capacity of the home at June 30, 1972 is 2,341.

The following tabulation shows the member population, capacity, and percent of capacity for the three levels of care provided by the home at June 30, 1960, 1970, and 1972.

	Number of Members			Capacity			Percent of Capacity		
	<u>1960</u>	<u>1970</u>	<u>1972</u>	<u>1960</u>	<u>1970</u>	<u>1972</u>	<u>1960</u>	<u>1970</u>	<u>1972</u>
Domiciliary Care	1064	639	501	1531	1504	1475	69%	42%	34%
Extended Nursing Care	373	370	383	418	402	414	89	92	92
Hospital Care	<u>422</u>	<u>403</u>	<u>400</u>	<u>463</u>	<u>446</u>	<u>440</u>	91	90	90
	<u>1859</u>	<u>1412</u>	<u>1284</u>	<u>2412</u>	2352	2329	77	60	54
Receiving Ward					<u>26</u>	<u>12</u>			
					<u>2378</u>	<u>2341</u>			

As can be seen by the tabulation, population of the hospital and extended nursing care levels have remained relatively unchanged during this period while the domiciliary population has decreased by 53 percent since 1960.

POLICY CHANGE - CHARGING OF FEES

Throughout its history, the home had not required any monetary payment from the members for any service or treatment provided. Members were, however, required to contribute to the extent of their abilities and physical capability some work effort to the home. This work effort has steadily diminished as the average age and physical impairment of the members increased until at the present time very little is contributed.

In 1970, effective on September 1, the Legislature provided in the budget act that the department and the home charge fees to the members based on a schedule that would produce \$900,000 during the remainder of the fiscal year.

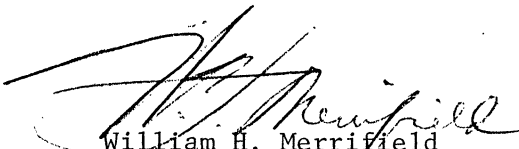
Beginning on September 1, 1970, the fee schedule was put into effect with charges as follows:

- Hospital care \$120 per month
- Extended nursing care 90 per month
- Domiciliary care 60 per month

During fiscal years 1970-71 and 1971-72 the home collected \$877,000 and \$1,267,000 respectively in fees and charges from home members.

Some of the members at the home do not pay these charges in the scheduled amounts for the reason that the first \$50.00 of a member's income per month is exempted. Provision is also made for dependency exemptions. Inability to pay the full amount does not diminish the services and treatment provided by the home. Further, the inability to pay is not a bar to admission to the home.

The institution of these charges by the department and the home met with substantial resistance on the part of the members of the home. As a result, approximately 10% of the members departed from the home following the effective date of the fee schedule. The management at the home felt that this was a temporary situation, and that when those who had left realized what the costs of care and maintenance out of the home amounted to, they would return. However, the population has continued to decline.


William H. Merrifield
Auditor General

August 28, 1972

September 1, 1970

Mr. George H. Murphy
Legislative Counsel
Room 3021, State Capitol
Sacramento, California

Dear Mr. Murphy:

We are currently conducting an examination of the financial statements and a review of operations of the Veterans' Home of California. A portion of our work involves the Post Fund at the home, and some questions have arisen regarding the use of the resources of this fund.

The Post Fund is provided for by Section 1047 of the Military and Veterans Code. Other references are made to the fund in Sections 1010 through 1049.

"1047. The commandant (now designated as manager) shall maintain a post fund which shall be used, at the discretion of the commandant subject to the approval of the Director of Veterans Affairs, to provide for the general welfare of the home and its members to include but not limited to providing for operations of the Veterans' Home Exchange, motion picture theatre, library, band, and to pay for newspapers, chapel expenses, welfare and entertainment expenses, sport activities, celebrations, and to pay for any necessary insurance to protect property of the fund or the Veterans' Home Exchange, or any other activity for the benefit of the home or its members."

The general operations of the home are financed by an appropriation from the General Fund supplemented by payments from the federal Veterans Administration on a member per diem basis, together with some aid and assistance payments from the VA on behalf of some home members. Beginning September 1, 1970, charges to the members of the home will provide partial reimbursement to the General Fund.

Sources of income to the Post Fund are varied. The main sources are the revenues from a number of activities as stated in Section 1047 of the Military and Veterans Code; money and property of a member not claimed upon the death of the member as provided in Sections 1035.05, 1035.3, and 1035.4; unclaimed members' deposits under Section 1038; proceeds from sale of personal property under Section 1038.1; and interest earnings on investments of members' funds held in trust by the home under Section 1042.

It is clear that the resources of the Post Fund are provided by the members of the home or from member-supported enterprises. Because of this, questions have arisen as to the purposes for which these monies may be used.

Our questions derive from the language of Section 1047 and from the records of the Post Fund showing the use of these monies over the past years.

Section 1047 states that the Post Fund shall be used "...to provide for the general welfare of the home and its members..." and, together with the stated uses in this section, "...to pay for...any other activity for the benefit of the home or its members."

Over the past years, the monies in the Post Fund have been used to construct permanent capital additions such as a swimming pool, a baseball diamond and grandstand, and a chapel. Annual maintenance costs of these facilities continue to be paid from Post Fund monies.

In addition to capital expenditures, improvements have been made to the interiors of existing state-financed buildings, for example, the conversion from open bay type domiciliary residence to individual partitioned cubicles. Other examples of improvements or modifications to property and plant paid for out of the Post Fund include the resurfacing of parking lots; remodeling of main dining room dish washing facility; installation of permanently attached awnings to an existing building; development and landscaping of a picnic area including installation of a sprinkler system; laying cement walkway between nursing care annex and administration building; replacing of conventional doors with electric doors on nursing care annexes; and adding carport and improving electrical service to a state-owned residence on the home grounds.

Equipment, furniture, and furnishings are purchased also out of the Post Fund. For example, at the time the conversion of bay type domiciliary residence to partitioned cubicles took place, furnishing of the residence was paid for out of the Post Fund. Items such as desks, lounge-type chairs, and vanity tables were provided for each of the cubicles as well as drapes for the windows. Other examples include medical supplies and drug carts used in the hospital; a patrol clock system for the security center; radio telephone equipment for the security center; and rugs, furniture, office equipment, and air-conditioning units for various offices in the administration building.

The examples of payments for capital additions, improvements and modifications to property and plant, and equipment, furniture, and furnishings listed above are some of the payments made out of the Post Fund that we believe may not be contemplated within the language of Section 1047. A large number of other payments are made out of the Post Fund in addition to the types listed above that provide many benefits to the home and the members.

An additional recent payment from the Post Fund that we question is in the amount of \$1,000 for an architectural study of the feasibility and desirability of making a capital addition to the hospital. It is planned that an addition be made to the hospital to provide facilities for visitors and for a library. Preliminary estimates indicate that the cost of this addition will exceed \$100,000.

Resources flowing into the Post Fund are substantial. Total income to the fund aggregated approximately \$600,000 and \$800,000 for the fiscal years ended June 30, 1969 and 1970, respectively. This offers the opportunity to undertake projects for capital additions or improvements that are major in scope. The financing of capital additions, improvements, and purchases of equipment out of the resources of the Post Fund is taking place without obtaining legislative review and approval.

We ask the following questions:

- (1) Do the provisions of Section 1047 of the Military and Veterans Code to use the resources of the Post Fund "...to provide for the general welfare of the home and its members..." and "...to pay for...any other activity for the benefit of the home and its members" give the authority to the Director of the Department of Veterans Affairs and the Manager of the Veterans Home to use these resources to finance:

- (a) Only those capital additions, improvements to property and plant, and purchases of equipment, furniture, and furnishings which are connected with the operation of such member-supported enterprises and activities as are specified in Section 1047, or similar enterprises or activities, and which are not related to the usual care, maintenance, and treatment of members?
- (b) Any type and magnitude of capital addition, improvement to property and plant, and purchase of equipment, furniture, and furnishings without restriction, except as to availability of funds, although unrestricted use could be considered a means to supplement appropriations from the General Fund, i.e., to pay costs which, without the existence of the Post Fund, would be paid out of an appropriation from the General Fund?
- (2) Are the provisions of Section 1047 in conflict with any other statutes relative to the authority granted to the director and the manager to use the resources of the Post Fund to acquire plant and equipment or make improvements without legislative review and approval of the individual additions or improvements?
- (3) Do acquisitions of permanent facilities, improvements, and equipment, furniture, and furnishings paid for out of the Post Fund and becoming state-owned property, because they are constructed on, added to, and used on state-owned property, constitute gifts to the state? If so, are there any legal restrictions or requirements that representatives of the Department of Veterans Affairs, as state officials, must comply with or adhere to when they are at the same time making and accepting gifts to the state?

William H. Merrifield
Auditor General

cc: Honorable Vincent Thomas, Chairman
Joint Legislative Audit Committee

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Legislative Counsel of California

GEORGE H. MURPHY

Sacramento, California
October 13, 1970

Honorable Vincent Thomas
Suite 508, Pacific Trades Center
255 West Fifth Street
San Pedro, California 90731

Veterans' Home of California - #17887

Dear Mr. Thomas:

You have asked the questions that are separately stated and considered below concerning the Post Fund of the Veterans' Home of California.

QUESTION NO. 1

"(1) Do the provisions of Section 1047 of the Military and Veterans Code to use the resources of the Post Fund '...to provide for the general welfare of the home and its members...' and '...to pay for...any other activity for the benefit of the home and its members' give the authority to the Director of the Department of Veterans Affairs and the Manager of the Veterans Home to use these resources to finance:

"(a) Only those capital additions, improvements to property and plant, and purchases of equipment, furniture, and furnishings which are connected with the

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R. THOMAS ALLEN
DAVID D. ALVES
MARTIN L. ANDERSON
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THOMAS D. WHELAN
DAVID E. WHITTINGTON
JIMMIE WING
DEPUTIES

operation of such member-supported enterprises and activities as are specified in Section 1047, or similar enterprises or activities, and which are not related to the usual care, maintenance, and treatment of members?"

OPINION AND ANALYSIS NO. 1

Section 1047 of the Military and Veterans Code* reads as follows:

"1047. The commandant shall maintain a post fund which shall be used, at the discretion of the commandant subject to the approval of the Director of Veterans Affairs, to provide for the general welfare of the home and its members to include but not limited to providing for operations of the Veterans' Home Exchange, motion picture theater, library, band, and to pay for newspapers, chapel expenses, welfare and entertainment expenses, sport activities, celebrations, and to pay for any necessary insurance to protect property of the fund or the Veterans' Home Exchange, or any other activity for the benefit of the home or its members."

As you stated in a written communication to us respecting this request:

"Sources of income to the Post Fund are varied. The main sources are the revenues from a number of activities as stated in Section 1047 of the Military and Veterans Code; money and property of a member not claimed upon the death of the member as provided in Sections 1035.05, 1035.3, and 1035.4; unclaimed members' deposits under Section 1038; proceeds from sale of personal property under Section 1038.1; and interest earnings on investments of members' funds held in trust by the home under Section 1042."

* All section references following are to sections in the Military and Veterans Code, except as otherwise indicated.

To this list of applicable source-of-income sections should be added Section 1042.1, which provides for the deposit in the Post Fund, "for the common benefit of the members of the home," of the amount of any check drawn upon a trust fund of the Veterans' Home that is unclaimed and uncashed for a period of one year.

As you also stated in your written communication: "It is clear that the resources of the Post Fund are provided by the members of the home or from member-supported enterprises."

Section 1047 states the general purpose for which the Post Fund may be used. This purpose must be one that serves the "general welfare of the home and its members," including, but not limited to, the "operations" of the Veterans' Home Exchange, a motion picture theater, library, and band, and payments for newspapers, chapel expenses, welfare and entertainment expenses, sport activities, celebrations, necessary insurance for the protection of the property of the fund or the Veterans' Home Exchange, or "any other activity for the benefit of the home or its members."

The Veterans' Home Exchange has, pursuant to Section 1049, been established and is operated by the Post Fund "for the conduct of any lawful endeavor which in the judgment of the commandant [also known as the Manager of the Division of Veterans Homes] will benefit the members of the home."

Any particular use of the Post Fund for the purposes authorized by Section 1047 is discretionary with the commandant, subject to the approval of the Director of Veterans Affairs.

As employed in Section 1047, the language "general welfare of the home and its members" encompasses not only the specific uses enumerated in the section but any other that may reasonably be considered to have been contemplated by the Legislature when it incorporated that language in the section. In this connection, the words "include but not limited to" which follow "general welfare of the home and its members" are clearly words of enlargement or illustration rather than of limitation (see Koenig v. Johnson (1945), 71 Cal. App. 2d 739, 748; but see 45 Cal. Jur. 2d, Statutes, Sec. 144). The enumeration of the specific uses does not, therefore, preclude the devotion of the revenue in the Post Fund to any other use that serves the "general welfare of the home and its members."

There has been no judicial construction of "general welfare of the home and its members" in the context in which that language appears in Section 1047 or of any similar language in any comparable law. In your written communication to us, however, you state (at page 3):

"Over the past years, the monies in the Post Fund have been used to construct permanent capital additions such as a swimming pool, a baseball diamond and grandstand, and a chapel. Annual maintenance costs of these facilities continue to be paid from Post Fund monies.

"In addition to capital expenditures, improvements have been made to the interiors of existing state-financed buildings, for example, the conversion from open bay type domiciliary residence to individual partitioned cubicles. Other examples of improvements or modifications to property and plant paid for out of the Post Fund include the resurfacing of parking lots; remodeling of main dining room dish washing facility; installation of permanently attached awnings to an existing building; development and landscaping of a picnic area including installation of a sprinkler system; laying cement walkway between nursing care annex and administration building; replacing of conventional doors with electric doors on nursing care annexes; and adding carport and improving electrical service to a state-owned residence on the home grounds.

"Equipment, furniture, and furnishings are purchased also out of the Post Fund. For example, at the time the conversion of bay type domiciliary residence to partitioned cubicles took place, furnishing of the residence was paid for out of the Post Fund. Items such as desks, lounge-type chairs, and vanity tables were provided for each of the cubicles as well as drapes for the windows. Other examples include medical supplies and drug carts used in the hospital; a patrol clock system for the security center; radio telephone equipment for the security center; and rugs, furniture, office equipment, and air-conditioning units for various offices in the administration building."

In the same communication (at page 4) you state also that \$1,000 has recently been paid out of the Post Fund "for an architectural study of the feasibility and desirability of making a capital addition to the hospital" the purpose of which you indicate will be to provide facilities for visitors and a library at a cost in excess of \$100,000.

The expenditures from the Post Fund that you describe can, in our opinion, be considered to have been made "for the general welfare of the home and its members" within the meaning of that language as used in Section 1047. And assuming that they were made by the commandant of the Veterans' Home with the approval of the Director of Veterans Affairs, we think their validity would be sustained by the courts as having been made on the strength of a reasonable administrative interpretation of the section by those officers (see 2 Cal. Jur. 2d, Administrative Law, Sec. 17; and 45 Cal. Jur. 2d, Statutes, Secs. 176, 178), particularly in view of the broad discretion expressly vested in the commandant by the section.

In submitting the question under consideration, you have classified specified capital addition, improvement and equipment and furniture expenditures from the Post Fund as not related to the "usual care, maintenance, and treatment of members" and classified other expenditures from that fund as so related. While you have indicated several kinds of expenditures that fall within these categories, you have not defined what, generally, is embraced by expenditures for the "usual care, maintenance, and treatment of members." We assume, however, that you have in mind those expenditures that are normally paid for out of appropriations from the General Fund in providing a type of domiciliary and hospital care that is consistent with the objective for which the home was established and is presently operated (see Stats. 1897, Ch. 101, p. 106; M. & V.C., Sec. 1012; State of California 1970-1971 Support and Local Assistance Budget, at pp. 1274-1282; State of California 1970-1971 Capital Outlay and Five-Year Construction Program Budget, at pp. 192-194).

We are of the opinion that to the extent that expenditures from the Post Fund are made for the purpose authorized by Section 1047, it is of no moment that they are of a kind also made for the "usual care, maintenance and treatment of members" and paid for out of an appropriation from the General Fund.

QUESTION NO. 2

"(1) Do the provisions of Section 1047 of the Military and Veterans Code to use the resources of the Post Fund '...to provide for the general welfare of the home and its members...' and '...to pay for...any other activity for the benefit of the home and its members' give the authority to the Director of the Department of Veterans Affairs and the Manager of the Veterans Home to use these resources to finance:

"(b) Any type and magnitude of capital addition, improvement to property and plant, and purchase of equipment, furniture, and furnishings without restriction, except as to availability of funds, although unrestricted use could be considered a means to supplement appropriations from the General Fund, i.e., to pay costs which, without the existence of the Post Fund, would be paid out of an appropriation from the General Fund?"

OPINION AND ANALYSIS NO. 2

For substantially the same reasons set forth in our consideration of the first question, it is our opinion that the Post Fund can be expended for any of the purposes described by this question, regardless of the magnitude of the expenditure, provided that it is for a purpose authorized by, and is otherwise consistent with, Section 1047.

QUESTION NO. 3

"(2) Are the provisions of Section 1047 in conflict with any other statutes relative to the authority granted to the director and the manager to use the resources of the Post Fund to acquire plant and equipment or make improvements without legislative review and approval of the individual additions or improvements?"

OPINION AND ANALYSIS NO. 3

We assume that by "legislative review and approval of the individual additions or improvements" you have in mind the constitutional and statutory provisions of law relating to the preparation and submission to the Legislature of the State Budget (State Const., Art. IV, Sec. 12; and see Gov. C. Secs. 12016, 12020-12021, 13291, 13320-13326, 14626). These provisions, however, relate to those state public revenues that are required to be deposited in the State Treasury (see Gov. C. Sec. 16301, and M. & V.C. Sec. 1034) and which cannot be withdrawn therefrom for any purpose unless expressly appropriated therefor (see Cal. Const. Art. XIII, Sec. 21), and thus are inapplicable to the Veterans' Home Post Fund, which does not contain revenue of that description and hence is a fund classified as one "outside the State Treasury" (see State Controller's Annual Report for Fiscal Year 1968-1969, at pp. A-8 and 118).

QUESTION NO. 4

"(3) Do acquisitions of permanent facilities, improvements, and equipment, furniture, and furnishings paid for out of the Post Fund and becoming state-owned property, because they are constructed on, added to, and used on state-owned property, constitute gifts to the state? If so, are there any legal restrictions or requirements that representatives of the Department of Veterans Affairs, as state officials, must comply with or adhere to when they are at the same time making and accepting gifts to the state?"

OPINION AND ANALYSIS NO. 4

The State has only an "incidental interest" in the Post Fund (see State Controller's Annual Report for Fiscal Year 1968-1969, at p. A-8), and the revenue in the fund is, in effect, nonpublic or private revenue subject to state control. Therefore, the use of such revenue for the acquisition of permanent facilities, improvements, equipment, furniture, and furnishings which are constructed on, added to, or used on the property of the Veterans' Home is, in our opinion, a gift of such revenue or facilities, improvements, equipment, furniture, and furnishings to the State.

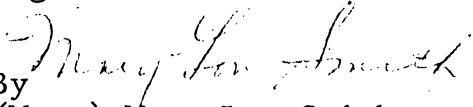
Section 16302 of the Government Code provides that whenever "any person donates any money to the State, the Treasurer shall receive it, upon the receipt of a certificate from the Controller." It also makes such acceptance subject to the provisions of Section 11005 of the Government Code.

Section 11005 states that unless the Legislature "specifically provides" that approval is not required, a gift of property to the State must be approved by the Department of Finance. Also, Section 11005.1 of the Government Code authorizes the Director of Finance to accept a gift of property on behalf of the State when he "deems such gift and the terms and conditions thereof to be in the best interest of the State."

There is no provision in the law that "specifically provides" that approval of any gift to the Veterans' Home is not required. Section 1039.3 of the Military and Veterans Code does, however, authorize the commandant of the home, subject to the approval of the Director of Veterans Affairs, to "accept cash donations or other gifts to be used for the welfare of the veterans" [i.e., inmates or members of the home]. Also, Section 1013 of the Military and Veterans Code provides that "property conveyed to and accepted for the home shall be the property of the home the same as though the donation of such property and acceptance thereof were herein set forth." These provisions of the Military and Veterans Code, coupled with those in Section 1047 of that code regarding the use of the Post Fund "at the discretion of the commandant subject to the approval of the Director of Veterans Affairs, to provide for the general welfare of the home and its members," can, in our opinion, be construed as making inapplicable the requirement in Section 11005 of the Government Code for the approval of the Department of Finance as a condition to the acceptance of any gift to the Veterans' Home of either the revenue in the Post Fund or any facilities, improvements, equipment, furniture, or furnishings constructed or acquired for the home with the use of such revenue.

Very truly yours,

George H. Murphy
Legislative Counsel

By 
(Mrs.) Mary-Lou Smith
Deputy Legislative Counsel

MLS:mb